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CURRENT INTELLIGENCE WEEKLY SUMMARY



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OFFICE OF CURRENT INTELLIGENCE

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THE WEEK IN BRIEF

PART I

OF IMMEDIATE INTEREST

UN GENERAL ASSEMBLY SESSION ON THE MIDDLE EAST Page 1

The Soviet Union has taken a "moderate" line in the special General Assembly session in order to attract maximum neutralist and small-nation support for early withdrawal of American and British troops from the Middle East. Referring to President Eisenhower's proposals as a "so-called peace program," bloc propagandists have emphasized that the principal issue is still troop withdrawal. Initial Western European reaction highly favored the President's proposals, but the response in Asia and the Middle East was divided, ranging from Cairo radio's denunciation to general support in Japan, Jordan, and Lebanon. UN Secretary General Hammarskjold believes that the best this session can accomplish will be to adopt a broad set of principles under which he could later take practical steps.

MIDDLE EAST DEVELOPMENTS Page 4

Lebanon's President-elect Shihab is still seeking to persuade the Lebanese factions to compromise their most serious differences, but Christian elements are increasingly fearful that a political victory for Moslem Arab nationalism will end their privileged position. The Jordanian Government remains tense, apprehensive both of a revolt inspired by its enemies and of abandonment by its friends. Cairo authorities probably are considering plans for a new Arab League which would include Iraq, Saudi Arabia, and any other Arab state which adopts a neutralist foreign policy. The UAR may also intend to seek increased payments from Western companies operating pipelines through Syria; the new Syrian budget calls for expenditures far in excess of normal revenues.

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TAIWAN STRAIT SITUATION Page 6

The 14 August air battle east of Foochow between Chinese Communist and Nationalist aircraft suggests that an increase in air clashes can be expected. Chinese Communist jet fighters are now operating out of three and possibly four previously unoccupied airfields in Fukien Province opposite Taiwan, and there are indications that the Communists are preparing to activate two other coastal airfields between Amoy and Foochow.

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PART I (continued)

Peiping's propaganda, however, does not reflect a real effort to whip up popular fervor for a Communist military venture. [REDACTED]

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PART II**NOTES AND COMMENTS****SHAH OF IRAN STRUGGLING TO MAINTAIN STABILITY Page 1**

The Shah of Iran, who is known to fear a coup, is evincing increasing concern for his personal safety, as well as doubts over the loyalty of the army. Believing that the absence of combat troops would make a coup less likely, he may be considering eventual removal of all such units from Tehran, leaving only the reinforced imperial guard. [REDACTED]

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NORTH AFRICA Page 1

Internal difficulties in Tunisia and Morocco are disrupting the North African solidarity achieved during the recent Tangier political conference. The conflict between Tunisian President Bourguiba's policy of seeking a rapprochement with France and the Algerian National Liberation Front's aspirations for total independence for Algeria is likely to continue. Bourguiba also fears the trend toward neutralism in Morocco, where the moderate Balafrej government is struggling for survival. [REDACTED]

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MACMILLAN'S CYPRUS MISSION Page 2

The British cabinet is now considering whether the results of Prime Minister Macmillan's 7-12 August exploratory discussions in Athens, Ankara, and Cyprus warrant some modification of Britain's 19 June Cyprus plan. Greece's objection to the provisions for Greek and Turkish government representation on the proposed Governor's Council appears to be the main obstacle to acceptance of the British interim seven-year plan. [REDACTED]

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EUROPEAN APPREHENSION ABOUT DE GAULLE Page 3

Premier de Gaulle's assurances to Italian Premier Fanfani on 7 August regarding weapons cooperation should reduce the apprehension with which the De Gaulle government continues to be regarded on the European continent. In West Germany and Italy particularly, there has been official concern that France will seek a predominant political position through the acquisition of a nuclear weapons capability. France's smaller neighbors and Germany are disturbed over French internal developments, particularly nationalistic tendencies. [REDACTED]

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PART II (continued)**JAPANESE ECONOMIC ACTIVITY IN AFGHANISTAN Page 4**

Japanese private enterprise and the activity of technicians have placed Japan among the primary free world nations whose economic activities are helping to counter the USSR's growing economic relations with Afghanistan. By Afghan standards, Japanese investment and construction activity is substantial. Although Afghan-Japanese trade has declined during the past two years, Kabul is apparently interested in continuing and expanding Japanese economic activity in Afghanistan. [REDACTED]

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JAPANESE COMMUNIST PARTY CONVENTION Page 5

The Japanese Communist party's recent national convention, the first in ten years, has confirmed the existing leadership and endorsed organizational changes which give greater emphasis to collective leadership. The convention failed, however, to approve an action program because of strong disagreement over objectives. Party dissidents, who have been demanding violent action, caused no trouble, but serious factionalism continues and the party probably will remain politically weak. [REDACTED]

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HUNGARIAN WHITE BOOK ON NAGY Page 6

The official summary of the recently published Hungarian white book on the "conspiracy" of Imre Nagy goes to great lengths to blame the national uprising of 1956 on Nagy and Western "imperialists" and to give the present regime a clean slate--clearly an attempt to stop talk that Janos Kadar, because of his past close involvement with Nagy, would be removed as party leader. Hungarian Stalinists, who ruled Hungary before Nagy, are depicted in a favorable light; some of these, who were strongly condemned by Kadar for their share in former party leader Matyas Rakosi's mistakes, may soon be allowed to return to Hungary from the USSR. Kadar, however, appears to remain Khrushchev's chosen instrument in Hungary. [REDACTED]

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THE THINNING RANKS OF STALIN'S INDUSTRIAL ADMINISTRATORS Page 8

Of the men who played a vital role under Stalin in the establishment and expansion of the Soviet industrial base, only a few are still active in high government posts. The death last week of Stepan Akopov, former minister of transport machinery, brings to eight the number of these officials who have died in the last two years. Others such as Lazar Kaganovich, have

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suffered severe political setbacks, while some, like oil expert Nikolai Baibakov, appear merely to have been demoted. While the way has been opened for the rise of new industrial administrators, none has so far attained the same high level in both the party presidium and the Council of Ministers as did some of their predecessors. [REDACTED]

KHRUSHCHEV ANNOUNCES DECISION TO STRESS THERMAL ELECTRIC POWER Page 9

The construction of thermal electric power stations will take priority over hydroelectric stations during the next seven or eight years, according to Nikita Khrushchev, to permit the USSR to increase electric power production in the shortest possible time. In his speech dedicating the Kuybyshev hydroelectric station on 10 August, Khrushchev said that the long-term economy of lower operating costs in production of hydroelectric power is to be sacrificed to reduce initial investment and gain time in economic competition with the West. [REDACTED]

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STATUS OF SOVIET HOUSING PROGRAM Page 10

The new Soviet urban housing program, aimed at solving the most pressing problem facing the government in the field of public welfare, has been in operation for a year. Construction in the first half of 1958 indicates that the 19-percent increase scheduled for the year as a whole will probably be achieved. Preliminary statements on Seven-Year Plan (1959-65) goals point to a leveling off at a high rate after 1960. [REDACTED]

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COMMUNIST CHINA PLANS BIG INCREASE IN IRON AND STEEL PRODUCTION Page 11

Communist China plans an extraordinary expansion of the iron and steel industry that may increase capacity to three to six times the present level of about 5,200,000 tons by 1962. Peiping hopes to achieve this increase through a program that looks to the construction and expansion of large modern plants, relatively modern medium- and small-sized factories, and small, primitive, locally run facilities. Plans for the large and some of the medium-sized facilities appear feasible; the outline of the program for small plants, however, is vague. [REDACTED]

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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****14 August 1958****PART II (continued)****LAOTIAN POLITICAL CRISIS Page 13**

Disunity in conservative ranks has frustrated efforts to resolve Laos' four-week-old cabinet crisis. The government's authority in the countryside is deteriorating, and some provincial officials are resigning out of fear of growing Communist strength. Young anti-Communist leaders are coming to the view that the only hope lies in the imposition of a strong government by the crown.

CAMBODIA Page 14

Premier Sihanouk is visiting Communist China with the announced purpose of strengthening Cambodia's position in relation to its Western-supported neighbors. Cambodian officials deny that Sihanouk intends to enter into a military agreement with Peiping, but some form of tangible Chinese Communist support for Cambodia in its disputes with Thailand and South Vietnam seems in the offing.

THAI CABINET RESHUFFLE Page 15

The recent cabinet reshuffle in Thailand may result in a modest improvement in the performance of Premier Thanom's government, but real political stability will probably hinge on whether Marshal Sarit, the leader of the ruling military clique, remains in good enough health to play an active role. Of seven cabinet changes, the most noteworthy were the dismissals of the leftist deputy minister for education and two other deputy ministers whose corrupt activities had been exposed.

NETHERLANDS NEW GUINEA ISSUE Page 15

Acquisition of Netherlands New Guinea continues to be a major national goal of Indonesia despite its more pressing problems of regional warfare and economic deterioration. Indonesia probably has no intention of using military force to acquire the area. Dutch officials, on the other hand, repeatedly charge that the Sukarno government will attempt to seize New Guinea and have decided to send limited reinforcements there.

COMMUNIST PROSPECTS IN THE IBERIAN PENINSULA Page 17

The small clandestine Communist parties in Spain and Portugal appear to be preparing for a more active

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PART II (continued)

role in exploiting popular unrest, possibly in the fall. By sponsoring public demonstrations and strikes, they could establish themselves as a rallying point for other opposition groups, even though such disturbances would not immediately threaten the stability of the Franco and Salazar regimes. [REDACTED]

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PART III**PATTERNS AND PERSPECTIVES****DE GAULLE'S ATTITUDE TOWARD NATO Page 1**

French Premier de Gaulle's recent assurances of solid support for NATO objectives have been coupled with insistence on a more active role for France within NATO. He can be expected to try to use NATO to enhance France's international power and prestige by pressing for changes in the command structure and by seeking to expand the geographic area covered by the alliance. [REDACTED]

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AUSTRIA AND THE ADMINISTRATION OF THE DANUBE Page 3

Chancellor Raab's commitment to bring Austria into the bloc-dominated Eastern Danube Commission was made to encourage Soviet concessions on reparations; Raab may also have had in mind Vienna's aspirations to wield greater influence in the Danube area. France, which has had somewhat similar aspirations, is angered and dismayed by the Austrian move; Bonn, however, seems likely in the long run to follow Vienna's lead. [REDACTED]

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JAPANESE DEFENSE SITUATION Page 7

Rearmament has made slow progress in Japan since it was inaugurated in 1951, and the present Self-Defense Forces are not yet capable of defending the nation. The partial withdrawal of US forces has not stimulated the defense build-up; the public, however, is gradually accepting the new Japanese forces and Prime Minister Kishi shows awareness of the need for adequate defense. Japan is drafting a program to adapt its forces to the missile age, but is caught between general reaction against conventional forces and strong public opposition to nuclear weapons. [REDACTED]

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REFORM OF SOVIET SCHOOL SYSTEM PLANNED Page 10

Decisions will apparently be made soon to implement Khrushchev's call last April for a reorganization of the Soviet educational system. The reorganization is being officially described as a step toward extension of universal education from 7 to 12 years. The new system, however, would continue the trend toward increasingly specialized training for specific vocations according to the capabilities of the student.

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SINO-SOVIET BLOC ACTIVITY IN LIBYA Page 14

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PART I**OF IMMEDIATE INTEREST****UN GENERAL ASSEMBLY SESSION ON THE MIDDLE EAST**

In their initial reactions to President Eisenhower's speech before the UN General Assembly on 13 August, Sino-Soviet bloc propagandists all emphasized that he "virtually ignored the principal and most urgent problem--the question of immediate withdrawal of US and British troops"--while doing "all he could to justify the intervention" of those troops. The President's proposals were referred to as the "so-called peace program" and were described as a "dirty game" and a "screen" for gaining US control of the whole region. The economic aid proposal was termed a means of political blackmail and pressure--a means of continuing imperialist exploitation of the Middle East, since the contributing agencies would be "US controlled." The UN force idea was called a "trick" whereby US troops would remain as "police," under the UN flag, "to crush Arab independence."

All bloc transmitters broadcast summaries of President Eisenhower's and Gromyko's speeches, with the latter receiving greater attention. VOA Russian-language broadcasts of the two speeches were heavily jammed by Soviet transmitters. There was no personal criticism of President Eisenhower, and a Warsaw Home Service report said that both speeches were moderate in tone. The commentator went on to say that Gromyko was in "a very strong position because, as he recalled, there are no Soviet troops, no Soviet bases, no Soviet oil concessions, no Soviet profits from this territory in the Arab region."

Belgrade radio carried an extensive review of both speeches and related comment. Politika said that the withdrawal of a US battalion from Lebanon "cannot satisfy" the Arab peoples and other peaceful countries "for the simple reason that this intervention actually constituted the beginning of the Middle East crisis. Therefore, this crisis cannot be resolved without a complete withdrawal of the interventionist troops."

Free World Reaction

Initial reaction in Western Europe was enthusiastic from governments and opposition sources, whether conservative or socialist. Only Communist comment, reflected in the London Daily Worker and L'Humanite in Paris, was sharply critical. Immediate official support came from British, Norwegian, Italian, and Irish spokesmen. British liberal papers--the Manchester Guardian and the News Chronicle, which are often highly critical of American policies--praised the President's plan as a step toward peace in the Middle East. The independent Times expressed some reservations on establishing a UN police force, preferring an expanded observer group instead, and noted that major difficulties must be overcome before the development plan achieves its purposes.

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Preliminary comment from Latin America was favorable.

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Reaction in Asia and the Middle East was divided and generally less enthusiastic than in Western Europe. The UAR radio and government-controlled press unanimously denounced the President's address as an attempt to mislead the Arabs and divert them from a policy of "neutrality." All sources strongly attacked the continued presence of American and British troops in the area while giving scant attention to the proposal for economic development. No "official" reaction was immediately available.

Baghdad radio presented a straight resume of the speech, devoid of criticism of any type. Jordanian newspapers welcomed the address, with some reserve, and stressed the need for solution of the Palestine problem before stability in the area could be achieved. Limited official reaction in Lebanon was favorable, with Premier Sulh describing the proposals as "an excellent and constructive project." Opposition leaders withheld immediate comment. Among the Israelis, disappointment was expressed that Israel was not mentioned, and there was concern over a possible arms embargo.

In a speech in Parliament on 14 August, Nehru maintained that he had not received the full Eisenhower speech and so could not comment on it. He reiterated his position, calling for the withdrawal of foreign troops, opposing the sending of UN armed forces to Lebanon or Jordan, and favoring an increase in observer group personnel. While reaffirming India's support for nonalignment, he was opposed to "enforced neutrality" if it were against the will of the countries concerned.

Japanese Foreign Ministry officials voiced wholehearted support for the proposal for an Arab-run economic development fund and technical assistance program and applauded the speech for its "spirit of peace." They believe caution should be exercised on the President's proposal for a UN police force and oppose a "hasty decision" on means for coping with indirect aggression. Yomiuri, a leading nationalistic newspaper, regarded the speech as a "last-resort" attempt to secure leadership of the UN session and to "curry favor" with the Arabs.

Sino-Soviet Tactics

Soviet Foreign Minister Gromyko's 13 August speech and the USSR's draft resolution suggests that Moscow has taken a "moderate" line in order to attract maximum neutralist and small-nation support for early withdrawal of American and British troops from the Middle East and, at the same time, to lay the basis for future claims that Soviet diplomacy had "forced" their withdrawal. Although Soviet UN delegate A. A. Sobolev on 22 July had vetoed a watered-down Japanese resolution to strengthen the UN Observation Group in Lebanon because it did not condemn the presence of American troops, the 13 August Soviet draft resolution calls for the General Assembly to "recommend" the immediate withdrawal of troops from Lebanon and Jordan, for reinforcing the observer group in Lebanon, and for sending UN observers to Jordan to observe "the withdrawal of US and British troops from Lebanon and Jordan and the situation on the frontiers of these countries."

Gromyko avoided a point-by-point rebuttal of the President's

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new plan for the Middle East, repeating Moscow's charges that this plan, like that offered by UN Secretary General Hammarskjold, evaded the basic issue, the immediate withdrawal of American troops from Lebanon and British troops from Jordan. On 12 August Gromyko suggested privately to Secretary Dulles the possibility of a joint Soviet-American statement which would give "full assurance" concerning the political independence and territorial integrity of Lebanon and Jordan in order to speed the troop withdrawal. In his 13 August speech, he offered to consult any delegation to seek a formula for withdrawal.

"Unanimous agreement" between Moscow and Peiping on major international issues, a line emphasized in the 4 August Khrushchev-Mao communiqué, is echoed in Chinese Communist propaganda solidly endorsing Soviet tactics in the Middle East crisis.

Moscow has attempted to minimize propaganda losses incurred from Khrushchev's 5 August scuttling of an early heads-of-government conference on the Middle East in favor of an immediate General Assembly meeting with a concerted diplomatic and propaganda effort "to set the record straight." In a 10 August note to British Prime Minister Macmillan, Khrushchev repeated Soviet charges that the American and British governments, by backing away from their earlier agreement to a special heads-of-government-conference within the "framework" of the Security Council, are responsible for the breakdown of negotiations for a summit meeting. He expressed the "hope" that the special session of the General Assembly would "pave the way" for an early

East-West summit conference on global issues.

Hammarskjold's Tactics

UN Secretary General Hammarskjold believes that the best this emergency session can accomplish will be to adopt a broad set of principles under which he later could take practical steps. To facilitate this and also to set the stage for a constructive nonvituperative debate, Hammarskjold outlined three basic principles for UN action in the area at the opening meeting. He defined these as (1) desirability of "UN presence" in the Middle East, (2) UN expression of hope for inter-Arab agreements on such matters as noninterference in internal affairs and guarantees on producing and transporting oil, and (3) UN recognition of particular problems and aspirations of the peoples of the Middle East.

Meanwhile, the secretary general has continued to increase the number of observers in Lebanon and has ordered new truce observation posts set up in West Jordan. On 8 August, Hammarskjold told the British UN delegate that he would consider establishing a UN force of 4,000 to 5,000 men on the west bank of the Jordan River. The unit would be supplied through Damascus and Beirut, thereby enabling the UN to maintain large numbers of personnel in Syria and Lebanon. However, permission for the entry of any UN force into the area rests with the host country, and King Husayn is opposed to any form of UN supervision, including the stationing of a UNEF along the Jordan borders. The British, however, are attempting to dissuade Jordan from its extreme opposition to any UN presence.

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PART I

OF IMMEDIATE INTEREST

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Recent activity at the UN suggests that various delegations are attempting to draft a resolution which would encompass both the secretary general's and the West's suggestions in broad terms and yet accomplish Western troop withdrawal. General support for Western troop withdrawal is

widespread among UN members, but is tempered by a realization that the UN must develop some constructive plan for the area beyond a mere call for troop withdrawal. It is this sentiment the USSR is attempting to exploit with its current posture of "reasonableness."

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MIDDLE EAST DEVELOPMENTS**Lebanon**

President-elect Shihab is still trying to compromise the most serious differences among the various Lebanese factions, with the main objective of persuading President Chamoun to resign or leave the country, as the opposition demands. Shihab apparently agreed, however, to send Foreign Minister Malik to represent Lebanon in the UN General Assembly, despite the opposition's intense dislike for him. A dissident delegation of two opposition leaders apparently intends to go to New York too.

Christian elements are increasingly fearful that the victory of Moslem Arab nationalism will spell the end of their privileged position in Lebanon. Militant Christian organizations, such as the Phalange, say they will defy attempts to disarm them and are threatening to set up "closed areas" in Beirut and the countryside such as those established by the rebels. If tension between the religious groups continues to grow, an outbreak of religious fighting is possible.

Jordan

Troop dispositions and the extra security measures put

into effect by the Jordanian Government are reported to have resulted in postponement of plans for a pro-Nasir revolt which several sources had forecast for this week. However, there has been no fundamental improvement in the government's position, and Prime Minister Rifai admits that almost all possible courses of action have been blocked except surrender to the pro-Nasir elements. King Husayn nevertheless still insists that he will fight to the end, and Rifai claims to be willing to abandon West Jordan, with its overwhelming refugee population, to Israel if that is necessary to maintain the government in Amman, the symbol, according to Rifai, of the Hashemite monarchy.

Husayn also has reiterated his opposition to any plan for making Jordan a "ward of the UN" if it involves stationing UN troops there. Husayn has said he would welcome a UN "guarantee," but would continue to rely in practice on American and British support. London still wishes, however, to withdraw its forces at the earliest opportunity.

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25X6 [] Husayn apparently fears that the Western powers might be tempted to sacrifice his position in an attempt to reach a broader agreement on Middle East problems.

UAR - Saudi Arabia

President Nasir is reported to have gone on "vacation" this week, but UAR Vice President Amir is doing some very active leg work. He went to Damascus after his visit last week to Saudi Arabia, and press reports have hinted that a communiqué containing some surprises might result. Discussions of a revived Arab League, composed of those Arab states which have a "liberated"--i.e., neutralist--foreign policy, apparently are under way, and it seems probable that this question was also discussed in Saudi Arabia. Saudi Crown Prince Faysal has denied, however, that any agreement was signed, and states that the sole purpose of Amir's visit was to open a "new era of frank and cordial relations" between Saudi Arabia and the UAR.

The Syrian budget, which Nasir approved this week after considerable high-level debate within the UAR, suggests that an effort may soon be made to increase the payments received from Western companies operating pipelines through Syria. The budget envisages expenditures of about \$130,000,000--58 percent of them for "security"--a figure far in excess of Syria's revenues from normal sources. While oil transit dues are the most obvious source of increased income, the budget probably also presages an increase in economic controls on the Egyptian model,

and this may add to the dissatisfaction already displayed by Syrian commercial interests over UAR economic policy.

Iraq

Cairo, which has sent a large number of assorted experts to Baghdad since the 14 July coup, may now have decided to back Deputy Prime Minister Arif as a man more likely to cooperate closely with UAR policy than Prime Minister Qasim. []

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[] Arif himself has appeared increasingly as the public spokesman of the regime. He has been touring the provinces, making speeches considerably more violent in tone than the reassuring statements given Western diplomats by the Baghdad authorities. []

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The social and economic reforms which the new regime is promising would mean the end of the large landholdings of the tribal leaders, and these leaders may be encouraging unrest. Previous instances of tribal unrest have been suppressed by the army, and it seems doubtful that a tribal effort against the present government would be any more successful.

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The Ruler of Kuwait cut short his formal visit to Tehran this week and refused to talk politics with Iranian officials. This action is another symptom

of his fear of association with any anti-Nasir forces. A Cairo press report stated that the deputy ruler of Kuwait was to arrive in the UAR capital on 12 August, but gave no reason for the trip.

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TAIWAN STRAIT SITUATION

The Chinese Nationalists claim to have shot down two and possibly three Chinese Communist jet fighters in an eight-minute air battle over the Taiwan Strait east of Foochow on the morning of 14 August. One Nationalist plane is believed to have been lost.

should give the Communists complete control of the air space over Fukien and the coastal waters in the Taiwan Strait.

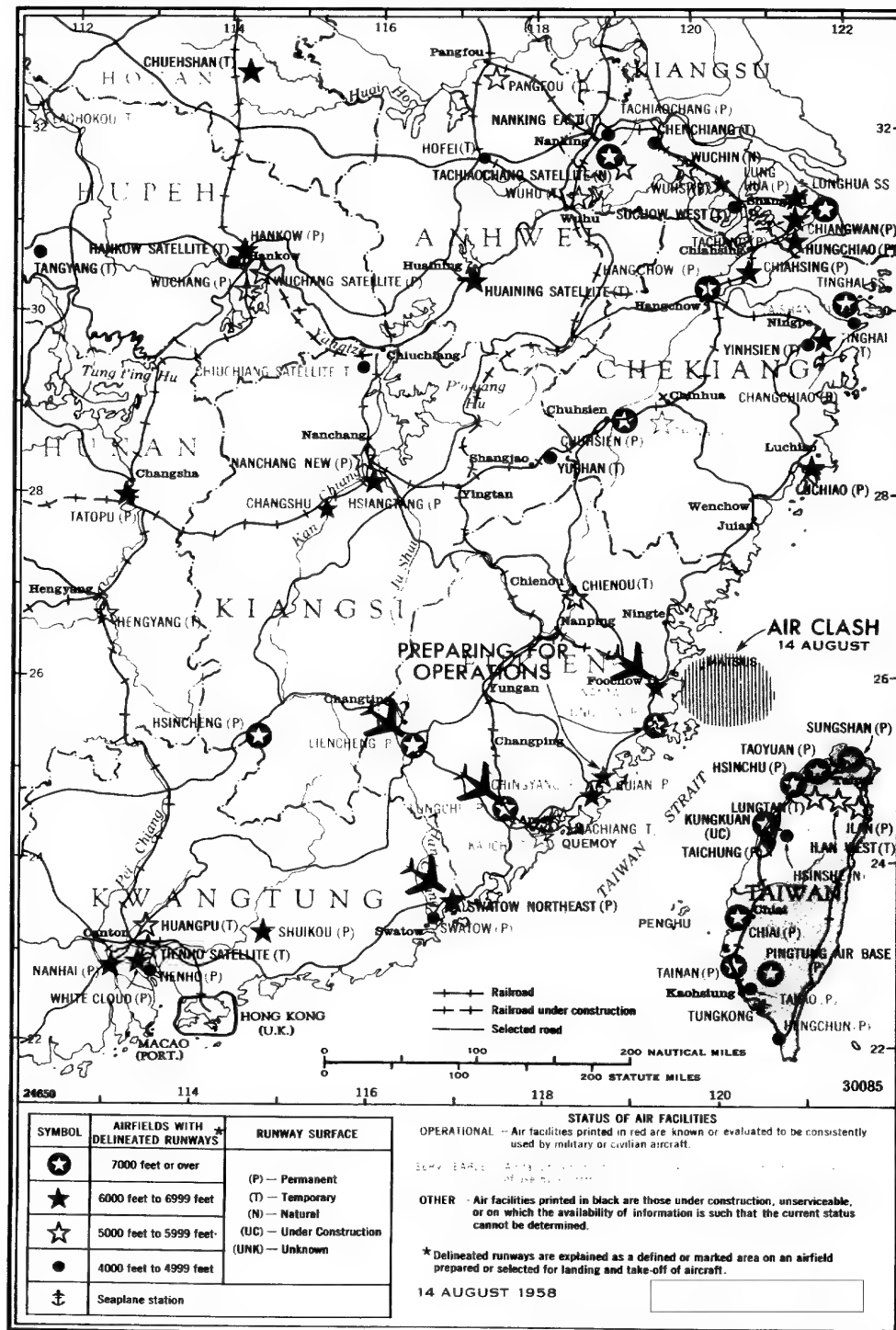
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Radio Peiping has announced that Chinese Communist interceptors damaged and drove off two Nationalist planes flying in the Foochow area on 13 August.

Since the Chinese Communists are determined to have control of the air over Fukien and the coastal waters off the mainland in the strait area and the Chinese Nationalists appear equally determined to carry out their reconnaissance missions, an increase in major air clashes can be expected. Three and possibly four previously unoccupied airfields in Fukien Province have been made operational by the Chinese Communists since the end of July, and there are indications that Peiping is preparing to activate at least two other airfields along the East China coast between Amoy and Foochow. Jet fighter operations from these fields

The status of Communist ground and naval forces in East China remains unchanged. There are no indications that major hostilities will be initiated against the offshore islands, but the Communists have the capability to do so at any time, possibly without warning. The Communists are exercising caution in their "liberate Taiwan" propaganda and apparently are not making an all-out effort to whip up popular fervor for a military initiative. The Taiwan theme reappeared in late July, but has never approached the intensity of the 1954 "liberate Taiwan" campaign. The populace in coastal areas opposite Taiwan is told to strengthen "defenses" and to

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"increase production" in order to bring about Taiwan's "liberation"--language suggesting a long-range effort.

cal threat posed by the Communist action as they are over the military threat. Minister of Defense Yu Ta-wei has asked that plans for a US Seventh Fleet air defense exercise in the Taiwan area and plans to provide the Sidewinder air-to-air missiles to the Nationalist Air Force be made public. Yu believes that this would serve to reassure the Taiwan public and to deter the Communists. The Nationalists may be tempted, however, to adopt a more aggressive air combat policy after re-equipment with Sidewinders.

Ambassador Drumright believes the Nationalists will take no hostile action of any kind against the mainland in the near future unless the offshore islands are directly attacked. The Nationalist Navy is making plans to supply the offshore islands at night, and night aircraft landings have been inaugurated.

The Nationalists seem as concerned over the psychologi-

An experienced American official in Taipei reports that although no formal request has been submitted through diplomatic channels, what the Nationalists really want is a formal US pledge to defend the offshore islands. They believe this would be the best way to forestall a Communist attack.

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PART II

NOTES AND COMMENTS

SHAH OF IRAN STRUGGLING TO MAINTAIN STABILITY

The Shah of Iran, who is known to fear a coup, is evincing increasing concern for his personal safety, as well as doubts over the loyalty of the army. Believing that the absence of combat troops would make a coup less likely, he may be considering eventual removal of all such units from Tehran, leaving only the reinforced imperial guard.

While senior military leaders, with few exceptions, probably would remain loyal to the Shah in the event of a coup attempt, the loyalty of the junior officers is in doubt. Many junior officers are dissatisfied with the lack of opportunity for advancement. The Shah recently began an investigation to uncover disgruntled groups within the army. Possible conspirators in the army, however, may be taking extra precautions to avoid detection in view of the experience of General Valiollah Gharani, former G-2 who was arrested last March for conspiring against the Shah. Gharani's scheme was discovered largely because of poor cover.

Educated urban groups and the semiliterate urban lower classes are also dissatisfied, particularly with government graft, inefficiency, and repression, and associate the Shah with these abuses. The Shah's

slow progress in making reforms has led them to advocate limitation of his powers or his removal. The Shah, although eager for rapid government reform, is proceeding slowly for fear that wealthy groups and others who benefit from the status quo will attempt to force their will on him.

The UAR and the USSR are putting increasing pressure on Iran, particularly through subversive radiobroadcasts. UAR radio propaganda is designed to arouse nationalist elements among the 500,000 Kurdish tribesmen in northwestern Iran to unite with the 800,000 Kurds in Iraq, 250,000 in Syria, and 1,500,000 in Turkey in a separate Kurdish state.

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Through a clandestine broadcasting station in Leipzig, bloc propagandists, professing to speak for the outlawed Iranian Communist Tudeh party, are calling for the overthrow of the Shah.

The Iranian Government is taking steps to counter the impact of this propaganda on the Kurds. The effectiveness of its measures has not yet been determined.

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NORTH AFRICA

Internal difficulties of the moderate Tunisian and Moroccan governments are disrupting the North African solidarity achieved during the recent Tan-

giers political conference. Tunisian President Bourguiba's difficulties with the Algerian National Liberation Front (FLN) over his pipeline concession

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to a French company now seem somewhat less serious than they appeared last month, but the conflict between his policy of seeking a rapprochement with France and FLN aspirations for total independence is likely to continue. Bourguiba also fears Morocco's trend toward neutralism.

Bourguiba's problems with the FLN have worsened as his relations with France improved. Resentful of Tunisian curbs on its activities--imposed so that improving relations with France might not be jeopardized--the FLN has admitted that it magnified the pipeline issue both to maintain the prestige of its leaders with rebels conducting guerrilla operations inside Algeria and to bring Bourguiba to heel so that he would drift no further toward a pro-French policy and compromise the Algerian war effort.

Counting on Moroccan support, the Algerians demanded a meeting of the Maghreb Secretariat to discuss the pipeline issue and the creation of a Maghrebian Consultative Assembly. Bourguiba, however, insists on a conference with FLN leaders before the Secretariat meets and wants to postpone creation of an assembly. The conference--made possible by the arrival on 11 August in Tunis of several members of the FLN executive committee--may be stormy because the Tunisians suppressed

the 8 August issue of the FLN's newspaper for articles critical of Tunisia. Meanwhile, Bourguiba is hoping to secure Western arms from other than French sources quickly enough to strengthen his position relative to that of the Algerians.

In Morocco, the Balafrej government is struggling for survival in the face of left-wing Istiqlal criticism, rumors of projected coups by the political opposition, and an insecure southeastern border area where new clashes apparently occurred recently between Moroccan irregulars and Algerian rebels. Some observers anticipate that Balafrej will be displaced as party secretary general during next month's Istiqlal party congress and later be succeeded as premier by either Vice Premier Abderrahim Bouabid or Consultative Assembly President Mehdi ben Barka, both leaders of the Istiqlal left wing.

Seeking to retain power, Balafrej has adopted a more intransigent position toward the evacuation of French forces and American base negotiations. Even if he weathers the crisis, Moroccan policy probably will continue to shift toward neutralism and more contacts with the Sino-Soviet bloc. This would reduce Bourguiba's influence throughout North Africa and isolate him in his outspoken support for the West.

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MACMILLAN'S CYPRUS MISSION

London is now considering whether the results of Prime Minister Macmillan's 7-12 August top-level discussion in Athens, Ankara, and Cyprus justify some modifications of its 19 June Cyprus plan in

order to secure Greek acceptance.

In the talks--in which he sought to encourage a more favorable atmosphere for negotiations on settling details

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of the plan and drafting a constitution--Macmillan explained the plan for seven years of self-government. London appears determined to concentrate on securing agreement on an interim solution and refuses to prejudge the ultimate disposition of Cyprus by making long-term commitments now.

In Athens, Greek opposition to the plan appeared to waver on some points, but Greece still objects to provisions calling for Turkish and Greek government representation on the proposed Governor's Council. The Turks have regarded the government representatives as one of the most attractive features of the plan, however, and probably would not accept their removal.

Concurrent conversations between Governor Foot and Archbishop Makarios resulted only in an evasive statement by

Makarios agreeing that preservation of peace on Cyprus was important. The British have already made it clear that he will be permitted to return to Cyprus only after a limited period of peace. The success of the recent drive against EOKA may preclude an immediate resumption of civil violence, which ceased on 4 August. In a further effort at personal diplomacy, Macmillan, on his return from Ankara, stopped at Cyprus for talks with Greek- and Turkish-Cypriot leaders and made a radio appeal for peace and cooperation.

In Ankara, where the British plan was originally rejected, there has been a reappraisal and conciliatory statements that the "partnership" aspects of the new proposals can be reconciled with the Turkish demand for eventual partition.

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EUROPEAN APPREHENSION ABOUT DE GAULLE

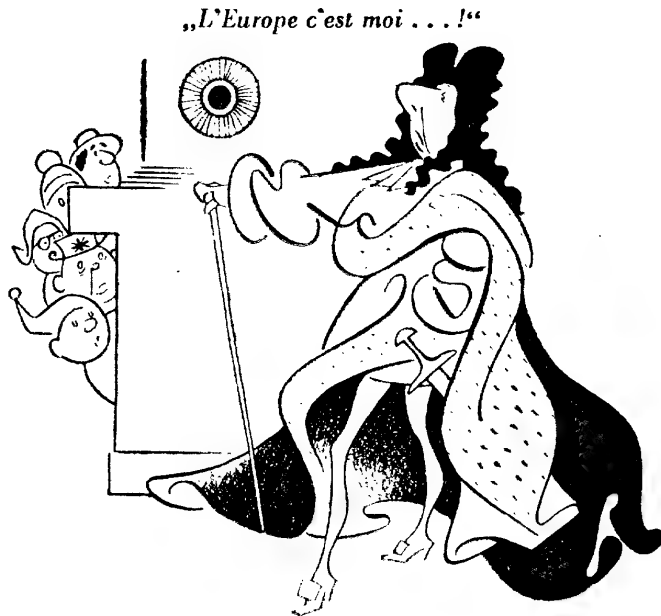
Premier de Gaulle's assurances to Italian Premier Fanfani on 7 August regarding weapons cooperation should reduce the apprehension with which the De Gaulle Government continues to be regarded on the European continent. In West Germany and Italy, particularly, there has been official concern that France will seek a predominant political position through the acquisition of a nuclear weapons capability. The smaller countries and Germany are disturbed over French internal developments, particularly nationalistic tendencies.

French-German relations have cooled somewhat as a re-

sult of the re-emergence of what American officials term a "fundamental distrust" of De Gaulle in Bonn. Bonn was particularly annoyed by the French desire expressed in early July to reconsider the French-Italian-German agreements of January 1958 for armament production and development.

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GERMAN VIEW OF EUROPEAN REACTION TO DE GAULLE
Die Welt, 29 July 1958

ports that Italy is willing to accept De Gaulle's aspirations as European spokesman in any summit meeting on the Middle East in return for French agreement to implement the first phases of the Common Market and EURATOM agreements. Suspicion of French policy on the matter was somewhat modified when France agreed to adopt a more flexible attitude toward the free trade area proposal at the recent Intergovernmental Committee meeting of the 17 OEEC countries.

France's smaller neighbors share previously expressed West German concern over the French domes-

tic political outlook.

observers also have expressed doubts on the future of French democracy, based partly on certain provisions in the new draft constitution and partly on the possible key role of Information Minister Soustelle in the future.

The Italian press re-

JAPANESE ECONOMIC ACTIVITY IN AFGHANISTAN

Afghanistan is showing continued interest in Japanese technical services and is seeking ways of increasing Japanese trade and investment. The Afghans have hired about 25 Japanese technicians since Afghan-Japanese diplomatic relations were established in the fall of 1955, just before the USSR offered to lend Afghanistan \$100,-

000,000 for economic development. These technicians and their Japanese companies have placed Japan among the principal free world nations whose economic activities are countering the USSR's growing economic relations with Afghanistan.

In 1956, the Afghan Government hired Japan's Goshu Company

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to build a water system in Kabul and four Japanese technicians to help improve the Kabul-Khyber Pass road. In 1957, several private Afghan businesses followed the government's example and secured the services of Japanese technicians, who appear more willing to work in difficult surroundings and for less pay than their Western counterparts. Japan's Marubeni Company, jointly with Afghanistan's Ittehadieh Cotton Company, invested in a porcelain factory in Kunduz in northern Afghanistan, thus far the only foreign private investment in an Afghan business. Other Afghan companies have hired Japanese to run a match factory, a ceramics factory, and a new rayon plant, all in Kabul. These companies all use Japanese machinery.

While the number of Japanese technicians and companies working in Afghanistan has in-

creased, the country's trade with Japan has declined. Afghan cotton exports to Japan have fallen drastically since 1954, which probably was partly caused by Afghanistan's increased need to barter its raw cotton to pay for imports from the USSR.

Afghan-Soviet barter trade apparently had an additional adverse effect on trade with Japan by cutting into Afghanistan's textile imports from India, which found its balance of trade with Afghanistan increasingly unfavorable. Since the end of 1956, New Delhi has not allowed Afghan merchants with credits in India to convert them to dollar and sterling credits to pay for imports from Japan. These developments are making it increasingly difficult for Afghans to import Japanese machinery and other goods.

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JAPANESE COMMUNIST PARTY CONVENTION

The seventh national convention of the Japanese Communist party, held 21 July to 1 August in Tokyo, confirmed the leadership which actually has been in control since 1955, but the convention's failure to agree on an action program indicates that factionalism remains a major problem. The meeting emphasized the party's intention to push united-front activities and its "peaceful" party line.

The convention, the first since 1947, had been postponed several times since 1955 until the leadership was confident of thwarting young dissidents who are anxious for a return to violent tactics. Several "disgraced" former central committeemen and others around whom

the dissidents had hoped to rally were recently expelled by the party.

Delegates at the convention approved the expansion of the central committee from 15 to 31 members and replaced the first secretary's post with two new offices--secretary general of the party, held by Kenji Miyamoto, and chairman of the central committee, filled by former First Secretary Sanzo Nosaka. The replacement confirms the rise of Miyamoto to power and prominence at the expense of Nosaka and others. These changes were designed to promote greater collective leadership; Moscow reportedly opposed concentration of the party's power in a single office. The election to the central committee

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of Shigeo Kamiyama, who represents the interests of the dissident Tokyo Metropolitan Committee, which enjoys wide prefectural support, indicates that the Miyamoto-Nosaka control is not complete.

Inability to agree on an action program was over the question whether Japan had actually achieved independence or was still "subservient" to the United States. A large opposition group argued that the program should be directed primarily against Japanese monopolists

and not against American influence as stated in the draft.

Japan's Communist party probably will remain weak politically, at least until internal problems are solved.

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During the May 1958 elections, the party received 989,000 votes--2.6 percent of the total--losing one of its two seats in the lower house of the Diet.

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25X1**HUNGARIAN WHITE BOOK ON NAGY**

The official summary of the recently published Hungarian white book on the "conspiracy" of Imre Nagy goes to great lengths to pin the onus for the national uprising of 1956 on Nagy and Western "imperialists" and to give the present regime a clean slate--clearly an attempt to kill predictions that Janos Kadar, because of his past close involvement with Nagy, would be removed as party leader. The presentation also depicts the Hungarian Stalinists, who ruled Hungary before Nagy, in a very favorable light, suggesting that some of these individuals, who were strongly condemned by Kadar for their share in former party leader Matyas Rakosi's mistakes, may soon be allowed to return to Hungary from the USSR.

Erno Gero, economic czar under Rakosi and party leader on the eve of the revolution,

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HEGEDUS

was not to be allowed to return for three or four years because of his acquiescence in Rakosi's errors, but former Premier Hegedus, former Minister of Interior Piros, and former Minister

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of Defense Bata were scheduled to come back at the end of 1958. This deadline may now have been advanced by Moscow in an effort to conciliate the important hard-line wing of the Hungarian party, with the ultimate aim of strengthening party "unity."

Kadar, nevertheless, appears to remain Khrushchev's chosen instrument in Hungary, judging from the Soviet premier's statement to Adlai Stevenson on 5 August that he "had decided to spend his vacation with Kadar this summer." A meeting with Khrushchev at this



KADAR

time would greatly strengthen Kadar's hand in dealings with party Stalinists who have been encouraged by the executions of Nagy and Pal Maleter to hope for Kadar's eventual fall. Kadar also appears to be publicizing his activities in order to combat the impression that he is losing control. It is notable, however, that the full texts of his recent statements have not been published. His policy statement to the central committee on 25 July has not been published at all, and he has made no really important speech in Hungary for a long time. Although he is manifest-

ly attempting to remain aloof from the Nagy affair, apart from a belated endorsement of the executions, he has sought to create the impression that



PIROS

the terror is now ending, in an obvious attempt to gain popular approval.

In support of Kadar's recent statement that the execu-



BATA

tion of Nagy "closes the book on the counterrevolution," the white book states that no action is being taken against certain individuals who did not

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actively participate in the "conspiracy" or who subsequently turned state's evidence. Among those specified are the liberal Communist pundit Gyorgy Lukacs and Mrs. Julia Rajk, widow of the Hungarian Communist leader whose execution on charges of Titoism in 1949 is

still decried by the Hungarian regime. Several other close associates of Nagy, whose "confessions" are cited in the white book, are not listed, however, suggesting that they have been or will soon be tried.

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THE THINNING RANKS OF STALIN'S INDUSTRIAL ADMINISTRATORS

Of the men who played a vital role under Stalin in the establishment and expansion of the Soviet industrial base, only a few are still active in high government posts. The death last week of Stepan Akopov, former minister of transport machinery, brings to eight the number of these officials who have died in the last two years. Others, such as Lazar Kagano- vich, have suffered severe political setbacks, while some, like oil expert Nikolai Baibakov, appear merely to have been demoted.

The reorganization of industry last year has, of course, reduced many former ministers to posts of lesser importance and necessitated new alignments in the industrial administration. While the way has been opened for the rise of new industrial administrators, none have so far attained the same high level of combined standing on the party presidium and the Council of Ministers as did some of their predecessors.

The eight leading officials who died during the last two years, in addition to being prominent as industrial managers, had long careers as party functionaries. With one exception, all were members of the party central committee. All were in their middle or late fifties at the time

of death. The eight include Pavel A. Yudin, long-time minister of the building materials industry; Ivan Likhachev, an "old Bolshevik" prominent in the establishment of the automobile and highway transport industry; and Ivan I. Nosenko, overseer of transport machinery and ship construction.

The death of Avraamy Zavenyagin in December 1956 and of Vyacheslav Malyshev in February 1957 removed from the scene two top men directing the Soviet atomic energy program.

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Maly- shev was probably the highest ranking official of the eight who have died. In addition to serving a number of times as a deputy chairman of the USSR Council of Ministers, he was a member of the party politburo (now presidium) for a brief period just before Stalin's death. He had various top posts in the heavy transport construction field before taking over direction of the Soviet atomic energy program in 1953. Zavenyagin took part in the development of the metallurgical industry during the thirties and apparently was involved in the atomic program from its inception. He was a deputy chairman of the Council of Ministers and minister of medium machine

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building (atomic program) at the time of his death.

Others who have died include Ivan Tevosyan, top Soviet specialist in metallurgical production, who ranked in the party and government almost on a level with Malyshev; Fedor Loginov, construction chief of many of the major hydroelectric installations and later minister of power station construction; and most recently Stepan Akopov, a close associate of Malyshev in the machinery building field.

In addition to the economic administrators who have died, there are those who because of their involvement in the move to upset Khrushchev in June 1957 now find themselves cooling their heels at work below or outside their special capabilities. The most prominent, is Lazar Kaganovich who probably did more than any other living

Soviet leader to transform the economic base of Soviet society. Also removed from prominence were Mikhail Pervukhin, top expert on electric power, fuel, and chemical industries, and Maksim Saburov, veteran economic planning administrator. Pervukhin technically still retains a position on the party presidium, but his post as ambassador to East Germany removes him from influence in Moscow.

Several other once prominent administrators appear to be currently out of favor; Nikolai Baibakov, long-time minister of the oil industry; Mikolai Dygai, for many years minister of construction of machine building enterprises; and David Raizer, associated with Dygai in the construction field.

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KHRUSHCHEV ANNOUNCES DECISION TO STRESS THERMAL ELECTRIC POWER

The construction of thermal electric power stations will take priority over hydroelectric stations during the next seven or eight years, according to Nikita Khrushchev, to permit the USSR to increase electric power production in the shortest possible time. In his speech dedicating the Kuybyshev hydroelectric station on 10 August, Khrushchev said that the long-term economy, of lower operating costs in production of hydroelectric power is to be sacrificed to reduce initial investment and gain time in economic competition with the West. The savings in investment can be applied either to raising electric power targets or to other in-

dustrial branches over the next seven years.

The construction of thermal electric stations requires considerably less initial investment and construction time per unit of electric generating capacity than that of hydroelectric stations. In addition, the more rapid tempo of placing new capacity in operation would allow further increases in labor productivity through the earlier availability of electric power for industry.

The Kuybyshev hydroelectric station, the largest in the world, has been the subject of much propaganda, and Khrushchev's

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remarks there were not entirely appropriate to the occasion. They were, however, more a recognition of reality than a pronouncement of a "new course" in the electric power industry.

The hydroelectric development program has been publicized out of proportion to its share in electric power production. Even the most optimistic Soviet estimates place the share of hydroelectric power at only 24 percent of total electric power production in 1965 and 1972, as compared with about 19 percent

in 1957. Construction of several large hydroelectric stations is already lagging. The large Bratsk and Krasnoyarsk hydroelectric stations in Siberia are about two years behind the schedules announced at the beginning of the Sixth Five-Year Plan. There are indications that the construction of the Saratov, Cheboksary, and Nizhne Kama hydroelectric stations in European USSR are also behind schedule.
(Prepared by ORR)

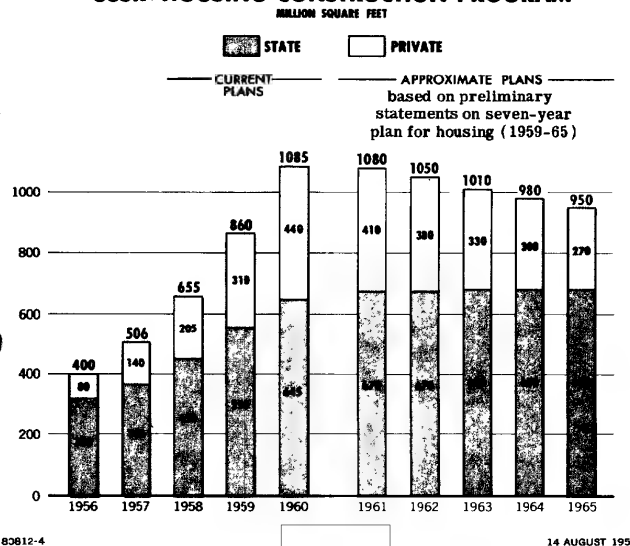
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STATUS OF SOVIET HOUSING PROGRAM

The Soviet housing program undertaken a year ago is progressing satisfactorily. Construction in the first half of 1958 indicates that the 19-percent increase scheduled for the year as a whole will probably be achieved.

Khrushchev has introduced a note of caution, however. In his speech at the May 1958 central committee plenum he said that, although the 10- to 12-year program to liquidate the shortage of housing for workers was progressing, it would not solve the housing problem but merely provide the basis for its solution. On the other hand, the housing decree of 31 July 1957, which gave specific targets for housing construction through 1960, had declared, without Khrushchev's qualification, that the shortage of workers' housing would be elimi-

nated in 10-12 years. This decree, like the drive launched several months earlier to catch up with the United States in meat and milk production, is a keystone in the consumer program. The housing shortage is generally considered to be the most pressing problem facing the government in the field of consumer welfare.

USSR: HOUSING CONSTRUCTION PROGRAM

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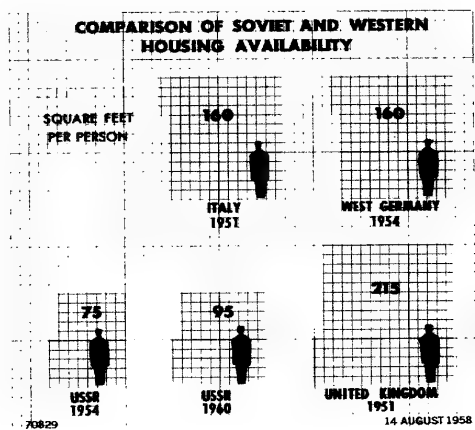
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In marking the anniversary of the decree, A. O. Kudryavtsev, a member of the State Committee on Construction, reaffirmed the construction targets set for 1959 and 1960. However, figures for state and private housing to be built in the period 1959-65, which were given in mid-May

by V. A. Kucherenko, chairman of that committee, point to a leveling off after 1960.

If the goals laid out by Kucherenko for 1959-65 are met, an estimated average of 115-125 square feet of space per person will be attained by the end of 1965. This would still be well below the minimum hygienic standard of 150 square feet to which Soviet writers have alluded. If this minimum were reached by 1970, which would call for maintaining the tempo of 20-percent increases in five-year periods, the drive for eliminating the housing shortage might then be declared successfully completed. Khrushchev's "clarification" noted above may indicate that this figure is the yardstick presently being used. Achievement of even this will depend, however, on the maintenance of the present high priority for housing construction. (Prepared by ORR)

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**COMMUNIST CHINA PLANS BIG INCREASE IN IRON AND STEEL PRODUCTION**

As one of the mainstays of its "leap forward" program, Communist China plans an extraordinary expansion of the iron and steel industry that may increase capacity to three to six times the present level of about 5,200,000 tons by 1962. Peiping hopes to achieve this increase through a program that looks to the construction and expansion of large modern plants, relatively up-to-date medium-sized and small factories, and small, primitive, locally run facilities. Plans for the large- and some of the medium-sized facilities appear feasible; the outline of the program for small plants, however, is vague.

The Second Five-Year Plan (1958-62) goal set for the Min-

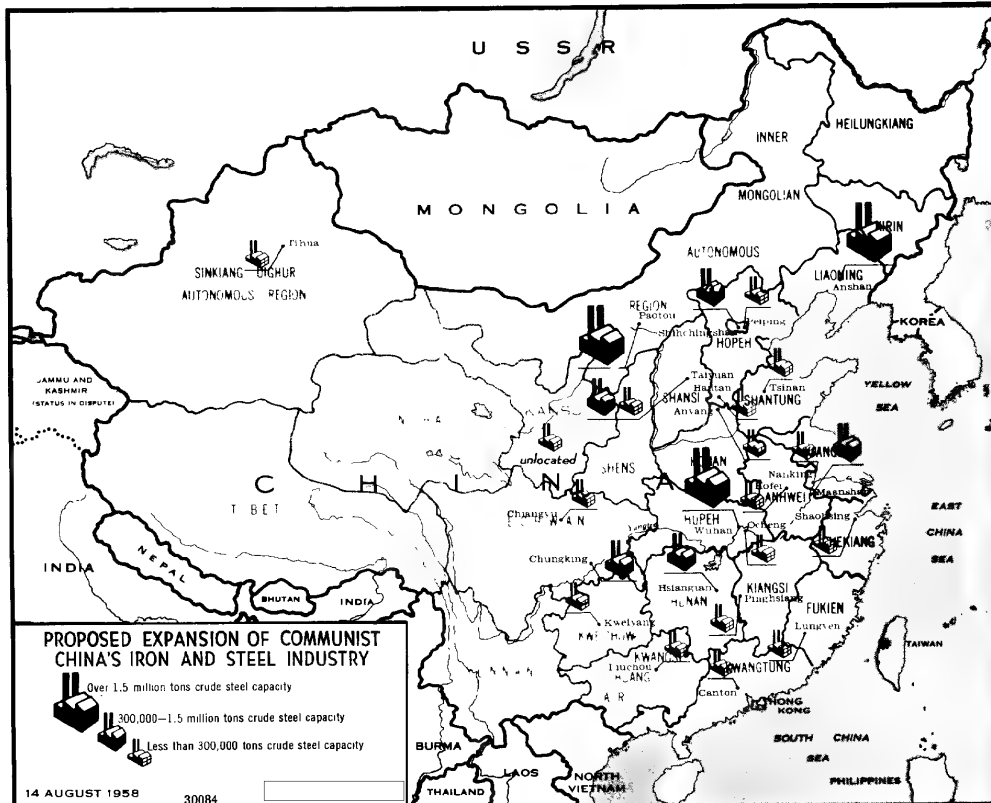
istry of Metallurgical Industry at the eighth party congress in September 1956 was 10,500,000 to 12,000,000 tons of crude steel. This goal has not been changed officially, but the ministerial target under the "leap forward" calls for crude steel production to reach 15,000,000 to 20,000,000 tons by 1962. This program appears feasible in view of the progress already made in the basic construction of several major installations and of arrangements for the receipt of equipment from the USSR and the rest of the bloc. If the goal is expanded to include the small native plants, the total may reach as high as 30,000,000 tons.

Since the inauguration of the "leap forward" campaign,

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plans for the development of China's three large iron and steel complexes at Anshan, Wuhan, and Paotou have been accelerated and the total capacity planned for these facilities has been increased from 7,000,000 to 10,000,000 tons. According to an announcement on 16 July, the Wuhan plant is now scheduled to start production in 1960, two years ahead of schedule.

Peiping has announced that five medium-sized plants--with capacities ranging from 300,000 to 1,500,000 tons--will have a total production capacity of 5,200,000 tons of steel by 1962. Some 17 small plants with capacities less than 300,000 tons are under construction and when completed--with few exceptions they should be finished by 1960--will

have an aggregate capacity of 2,300,000 tons of crude steel.

Along with plants of relatively modern standards, the Chinese are in the midst of a great drive to build tens of thousands of small, native-type blast furnaces and hundreds of small Bessemer converters. Although statements from Peiping concerning this phase of the program have been ambiguous and inconsistent, it is apparent the regime intends that a sizable portion of the planned increases will emerge from these primitive facilities.

The Chinese have a successful tradition of producing "native iron" and no doubt are capable of implementing such a program, although probably not at

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the speed that some announcements indicate. The quality of the products, however, will be inferior and unacceptable for many uses in a modern industrial economy. The contribution of the smaller, less modern facilities to the output of China's iron and steel industry will thus be far out of proportion to the benefit to the industrial economy. Peiping's economic planners apparently are of the opinion that, at China's present stage of economic development, the

**COMMUNIST CHINA'S "LEAP FORWARD"
PLAN FOR CRUDE STEEL**

MILLION METRIC TONS

	ESTIMATED 1962 PRODUCTION (BASED ON CHINESE CLAIMS)	
LARGE PLANTS (OVER 1,500,000 TONS)	7.0 - 10.0	
MEDIUM PLANTS (300,000-1,500,000 TONS)	4.7 - 5.2	
SMALL PLANTS (UNDER 300,000 TONS)	3.6 - 4.1	
LOCAL INDUSTRY PROGRAM	2.3 - 10.0	
TOTAL	17.6 - 29.3	

1957 PRODUCTION 5.2

80813 4

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production will suffice for enough purposes to make the program worthwhile.
(Prepared by ORR)

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LAOTIAN POLITICAL CRISIS

Growing factionalism and irresponsibility within conservative ranks have frustrated efforts to resolve Laos' four-week-old cabinet crisis. The facade of unity in the Rally of the Lao People (RLP), which was recently formed by a merger of conservative parties and may control 36 to 38 votes in the 59-man assembly, has splintered under the pressures of political trading. However, old-line politicians within the RLP appear agreed in their opposition to demands from young anti-Communist leaders in the Committee for Defense of the National Interest (CDNI) that the next cabinet be dominated by "new faces."

RLP President Souvanna Phouma was forced to abandon his efforts to form a government on 6 August because of his inability to reconcile the

competing demands of the RLP and CDNI. Phoui Sananikone, foreign minister and RLP officer, has succeeded Souvanna as cabinet formateur. He had secured CDNI approval for a ten-man cabinet in which all but four ministers would be drawn from the CDNI. However, the slate was unacceptable to RLP and he was forced to revise it to include a number of politicians whose unsavory reputations make them unacceptable to the CDNI. Phoui has informed the CDNI that this is the best compromise possible and is now threatening to go before the National Assembly without CDNI support.

The government paralysis appears to be accelerating the previously evident decline of Vientiane's authority in the provinces. Administrators in remote areas are said to be resigning out of fear of the

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growing strength of the Communist-dominated Neo Lao Hak Zat (NLHZ). Members of the volunteer defense units in southern Laos are turning in their weapons in increasing numbers because they want to be on the right side in the event of a showdown. Reliable observers fear that, unless an effective anti-Communist government is formed, open NLHZ administration of important areas of the countryside will result within a few weeks.

Laotian Army Chief of Staff Gen. Ouane is alarmed at the deteriorating security situation and is again threatening to use the army to set up an anti-Communist government.

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CAMBODIA

Cambodian Premier Sihanouk has arrived in Communist China for a week's visit, following brief trips to New Delhi and Rangoon. Before leaving Phnom Penh on 10 August, Sihanouk announced the purpose of these visits was to rejuvenate Cambodia's weakened international position which had made it "vulnerable to harassment" by its Western-supported neighbors. Cambodian officials deny that Sihanouk intends to enter into a military agreement with Peiping, but some form of tangible Chinese Communist support for Cambodia in its disputes with Thailand and South Vietnam seems in the offing.

The recent visit to Phnom Penh of Ngo Dinh Nhu, brother and chief adviser of South Vietnamese President Diem, has resulted in a respite in the border dispute between Cambodia and South Vietnam. No definitive agreement was reached in the talks between Nhu and Sihanouk, but Nhu believes his warnings on the possible regional consequences of Cambodia's recognition of Peiping may dissuade Sihanouk from seeking further alliances with Communist China. Nhu also states he made it clear that

the success of any future negotiations on outstanding Cambodian-Vietnamese differences will depend on Phnom Penh's de jure recognition of Saigon.

Cambodian Foreign Minister Son Sann has termed Nhu's visit "useful," but he has indicated no great enthusiasm. Nhu apparently offered no concrete concession on adjustment of the controversial border marker erected unilaterally by Vietnamese troops in Stung Treng Province. Cambodia considers such an adjustment a necessary preamble to reaching an over-all settlement with Vietnam. Nhu's interjection of the need for full diplomatic recognition of Vietnam, moreover, may have adverse effects in Phnom Penh, where it is likely to be interpreted as political blackmail.

Opposition apparently is growing in influential Cambodian circles to Sihanouk's one-man rule, particularly over his accommodation with the Communist bloc. These diverse opposition elements, although currently uncoordinated, may ultimately combine forces, and, with at least the tacit support of the Vietnamese and Thai governments, seek to remove Sihanouk from power.

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THAI CABINET RESHUFFLE

The reshuffle of Thailand's cabinet, which had been in process for several weeks, may result in a modest improvement in the performance of the government of Premier Thanom. The cabinet changes are apparently the final phase of Marshal Sarit's six-week campaign to stabilize political conditions in Thailand after a five-month absence in the United States. Real political stability is likely only if Sarit remains in good enough health to play a reasonably active role. In his capacity as a leader of the ruling military clique, Sarit is the only individual with sufficient authority and prestige to control the more rapacious elements among the military and to keep the heterogeneous governing National Socialist party properly in harness.

Of the seven cabinet changes--all at the deputy ministerial level--the replacement of Deputy Minister of Education Tim Buriphat seems the most significant. Tim, an erstwhile member of the fellow-traveling Socialist United Front, was well known for his extreme leftist views. His presence in the cabinet was an embarrassment to Sarit, particularly in the latter's relations with the United States. The forced resignations of two other deputy ministers, one of whom was Sarit's half-

brother and the other a high-ranking member of the ruling military group, in part reflected Sarit's sensitivity to public criticism of corruption in government. While not foreshadowing the sudden advent of honest government in Thailand, their dismissals will be interpreted by their colleagues as a warning to be more discreet.

The expected replacement of two deputy ministers known to be strong admirers of former Premier Pridi, now in exile in Communist China, did not materialize, possibly owing to their close friendship with Sarit. There is no good evidence that these individuals have succeeded in moderating Sarit's fear of and strong dislike for Pridi, but they may have been instrumental in arranging the return from Communist China on 9 August of five other Thai exiles, including former Thai Ambassador to Nationalist China Sanguan Tularak.

In making the final decisions on cabinet changes, Sarit seems to have listened to Thanom more than to the ambitious Interior Minister, General Prapat, thus providing another indication of Sarit's awareness of the need to show preference for Thanom as the weaker of the two leading contenders for his mantle.

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NETHERLANDS NEW GUINEA ISSUE

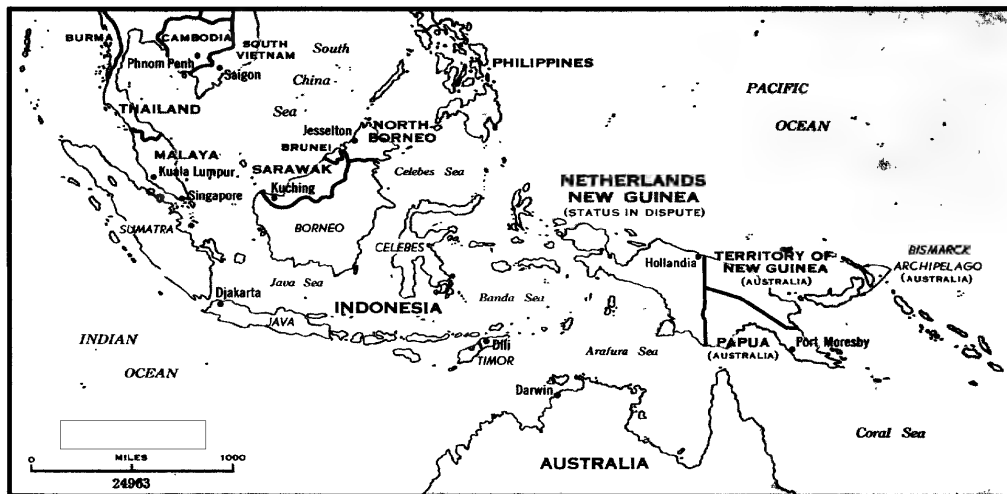
Acquisition of Netherlands New Guinea--or West Irian--continues to be a major national goal of Indonesia despite its more pressing problems of regional warfare and economic deterioration. President Sukarno, remains obsessed by the idea

that without that area Indonesia's national revolution is incomplete. He also uses New Guinea as an issue on which to unite his diverse nation. Sukarno and army leaders also desire to reclaim championing of the issue from the Indonesian Communist party.

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The National Front for the Liberation of West Irian is being reorganized and expanded, to permit it to deal with additional issues, and is being divested of some of its leftist membership. It now will be headed by Sukarno as honorary chairman, with an army officer as secretary general.

Army Chief of Staff General Nasution apparently has no intention of using military force to acquire New Guinea. The anticipated arrival of Dutch reinforcements in New Guinea, however, undoubtedly will give rise to further belligerent statements by non-Communist Indonesians, intended largely for internal consumption, and the Communists can be expected to press for military action in order to embarrass the army and attract followers.

The Indonesian Government probably will continue its policy of sending small armed infiltration units to the area. Apparently Indonesia does not plan to take the issue to the United Nations this year.

Dutch officials, on the other hand, have repeatedly charged that the Sukarno government will attempt to seize New Guinea by force. They believe the West Irian campaign could easily get out of hand again as it did in December 1957, when it was used as a cover for taking over Dutch economic interests. The Dutch contend that Indonesia's acquisition of military equipment from abroad increases the threat to New Guinea.

The Dutch are also worried that Western efforts to work out a modus vivendi with Sukarno may in the long run weaken Western support for the Dutch claim to New Guinea.

The Australian Government, which is strongly opposed to Indonesia's acquisition of Netherlands New Guinea, is considering the advisability of giving the Dutch a formal military commitment to come to their assistance should the Indonesians attack. Australia is not currently planning to increase its own forces in either Papua or Australian New Guinea.

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COMMUNIST PROSPECTS IN THE IBERIAN PENINSULA

The small clandestine Communist parties in Spain and Portugal appear to be preparing for a more active role in exploiting popular unrest, possibly in the fall. By sponsoring public demonstrations and strikes, they could establish themselves as a rallying point for other opposition groups, even though such disturbances would not immediately threaten the stability of the Franco and Salazar regimes.

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leaders of the Spanish Socialist party's labor organization (UGT) within Spain had decided to cooperate with the Communists in calling strikes for September. The UGT is said to fear that otherwise the Communist party, whose membership is estimated at anywhere from 800 to 10,000, will win the leadership of the workers.

Such a reversal of long-standing Spanish Socialist policy probably stems from despair over the party's lack of political drive. The Socialists may also have been influenced by a 3 June clandestine radio-broadcast in which the Spanish Communists pledge maximum efforts to help the workers organize the struggle against the high cost of living and urged the cooperation of all opposi-

tion groups in working for Franco's overthrow.

The Portuguese Government is considerably concerned over the Communist "affiliation" of the instigators of the widespread and largely political strikes which occurred after the 8 June presidential election. They see in these strikes proof of an effective Communist organization in the country, prepared to exploit labor's dissatisfaction with working conditions and the regime's politics. The party is estimated to have some 2,000 members.

Formation of a Portuguese National Liberation Council by the defeated presidential candidate, General Delgado, and other prominent oppositionists, as has been reported, would offer the Portuguese Communists an important target for infiltration and exploitation.

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In view of the similarity of the basic causes of unrest in both countries, the two Communist parties may well undertake a coordinated timing of strike action and popular demonstrations in the fall and may even try to draw other opposition groups into a united front against the Franco and Salazar regimes.

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PART III

PATTERNS AND PERSPECTIVES

DE GAULLE'S ATTITUDE TOWARD NATO

French Premier de Gaulle's recent assurances of solid support for NATO objectives have been coupled with insistence on a more active role for France within NATO. He can be expected to try to use NATO to enhance France's international power and prestige by pressing for changes in the command structure and by seeking to expand the geographic area covered by the alliance.

The French NATO representative recently emphasized that De Gaulle has been so preoccupied with Algeria and constitutional reform that he has not had time to give new direction to French NATO policies "even if he wanted to, which he does not." Nevertheless, De Gaulle has made it clear that he intends to secure a greater voice for France in NATO. Foreign Minister Couve de Murville has stated that France would henceforth attend more actively to its NATO responsibilities, even though its military contribution is reduced for the duration of the Algerian operations.

De Gaulle had long criticized the alliance on the grounds that it lacked effective policy and organization. He wanted global coordination by the allies to avert friction in Africa and Asia, and he objected to the NATO command structure as "vague." He considered it "totally unacceptable" that France's defense depended on the orders of a foreign commander, and he declared it "inconceivable" that metropolitan and Mediterranean France should be under separate commands, "linked only by Washington." De Gaulle had re-

jected the proposed European Defense Community because he felt it endangered the national identity of the French Army, and he extended this criticism to NATO, which he held was incompatible with sovereignty because it did not leave France the means to act alone.

French Military and NATO

De Gaulle is likely to be influenced by those French officers who are critical of NATO for not fully supporting French national interests, particularly in Asia and Africa. Top French military leaders blame the weak governments of the Fourth Republic for France's subordinate role in NATO. They feel that because France appointed a relatively low-ranking officer to the original NATO Standing Group, American influence consequently has expanded to an undesirable degree.

The officers feel that a redefinition of Atlantic policy and strategy is necessary because of recent military technological developments, the extension of Moscow's influence to North Africa and the Middle East, and the consequent changed nature of the Soviet threat.

French military leaders apparently also want to de-emphasize the importance of France's NATO commitments in the framework of French national military policy. They believe events in Indochina and Algeria have demonstrated the need for a national military capability

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paralleling France's NATO commitment, which has hitherto had official priority. This implies not only sufficient military units under purely national control, but also a greater concentration on the internal defense of the homeland and the development of a national nuclear "deterrent" capability. The groundwork for such de-emphasis has already been laid by former Defense Minister Jacques Chaban-Delmas, who defined the first missions of the French forces as maintenance of the French presence in the overseas possessions and the development of a nuclear weapons capability.

Tripartite Control of NATO

De Gaulle feels that, since France is the "geographical heart of the alliance" with a great deal at stake, it must have a role commensurate with its exposed position. He is particularly determined not to take a back seat to Britain. He apparently envisages a three-power directorate or executive committee to put France, the United States, and Britain above Germany and other members.

De Gaulle also wants additional and more important commands for French officers, especially in the Mediterranean. De Gaulle's ideas on command changes, however, are probably not limited to the Mediterranean. The French military has long chafed at the assignment of only one of the six principal NATO commands--the central European sector--to a French officer.

Extension of NATO Area

De Gaulle also wants to extend the geographic limits of NATO. According to Maurice Schumann, chairman of the National Assembly's Foreign Affairs Committee, De Gaulle questions whether the present NATO area still corresponds to "strategic realities."

The desire to extend the limits of NATO is presumably based on French hopes that this would entail automatic NATO support of French policies in the areas incorporated.

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Top French military leaders believe that the East-West nuclear stalemate and the existence of NATO have tended to shift the focus of the Soviet threat from Europe to the Middle East. They believe the West's nuclear defenses have been thwarted by "ideological" maneuvers, while limited wars have taken the place of total war. Marshal Juin recently stated: "Our partners should realize that the safety of the Western world rests essentially on the Afro-European bloc, in which France holds the key positions and is actually the only one that can maintain them."

France's sensitivity to criticism within the Western

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alliance of French policy in Africa has also been pointed up recently by an article in a Gaullist newspaper. Under the heading, "The NATO Organization Without France," it asserted that NATO's solidarity depends on the support "under all circumstances" of the military and economic potential of its European member nations. The article said the West faced certain defeat if NATO were obliged to get along without France, and warned that "it is of vital interest for certain of our NATO allies not to suppress France's expansion or frustrate her actions in Africa."

Drive for Equal Nuclear Status

De Gaulle apparently envisages French access to nuclear weapons as the primary vehicle to a status of equality with the United States and Britain in NATO. He insists that France will have an atomic bomb on a come-what-may basis, whether by purely French efforts or with help from others. To secure outside assistance and avoid costly duplication of American and British research and testing, French spokesmen

are trying to create the impression that France's whole attitude toward NATO may hinge on full Western cooperation in the nuclear weapons field.

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De Gaulle will probably exploit the nuclear weapons issue to try to achieve his non-nuclear goals within NATO, as well as to secure American and British assistance in making French weapons and to obtain a major voice in control of the atomic stockpile and IRBM's. He is already taking a fresh look at the French-German-Italian weapons cooperation program,

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AUSTRIA AND THE ADMINISTRATION OF THE DANUBE

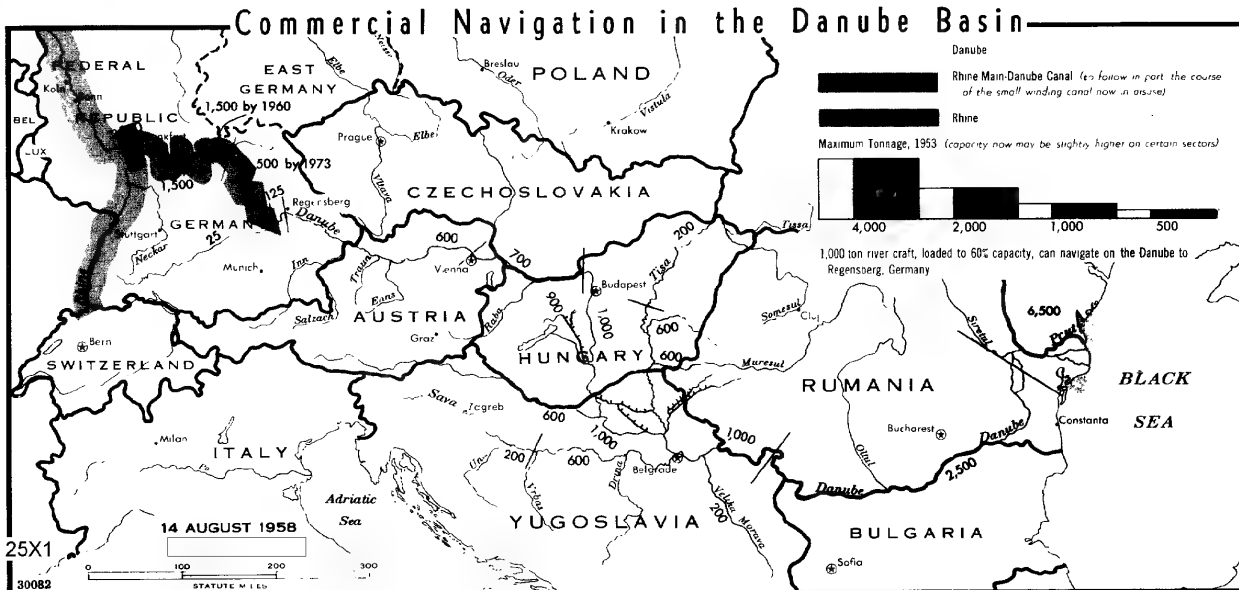
The Austrian Government's intention to adhere to the bloc-dominated Eastern Danube Convention has implications beyond the tactical considerations which prompted Chancellor Raab's commitment during his recent visit to Moscow. Raab evidently thought this a "friendly gesture" which would encourage the Soviet Union to re-

duce Austria's reparations burden, but he may also have had in mind Vienna's aspirations to play a more important role in the political and commercial affairs of central Europe. In any case, Austria's accession has already increased pressure on West Germany to follow Vienna's lead.

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**Present Danube Administration**

The West's efforts to restore its position on the Danube have been to no avail since 1948, when Soviet Foreign Minister Vyshinsky "dictated" the Eastern Danube Convention at an international conference in Belgrade. The commission which this convention set up replaced for all practical purposes the two commissions which had controlled the Danube before World War II--the European Danube Commission (CED) on the "maritime Danube" from Braila, Rumania, to the Black Sea and the International Danube Commission (IDC) on the "fluvial Danube" from Braila to Ulm, West Germany. The IDC is now dead, but the CED was reactivated in 1953 by Britain, France, and Italy and meets periodically in Rome, but only for the purpose of administering assets which are still held in Western countries.

The Western powers have refused to recognize the Belgrade protocol for a variety of reasons, including the manner in which it was negotiated. They have charged, for example,

that it fails to provide categorical guarantees of nondiscrimination for vessels of all flags, that appeal procedures in case of violations are ill-defined, and that no provision has been made for nonriparian representation on the Danube Commission. Accordingly, despite the fact that it claims jurisdiction over the entire "navigable" portions of the river, including the Austrian and German stretches, the commission has held its semiannual meetings since 1949 with formal representation from only the bloc riparian countries and Yugoslavia.

Until now, Austria and West Germany have also deferred--unwillingly--to Western wishes not to "legalize" the Belgrade Convention by adhering to it, and only since June 1957 have both countries sent observers to commission meetings. Both Vienna and Bonn, however, have attempted since 1953 to secure their interests on the eastern Danube with a series of bilateral agreements with the eastern riparian powers. These agreements have generally worked satisfactorily, providing in general

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for freedom of navigation, equality of treatment, and, in two cases, for a sharing of traffic. They are, however, rather cumbersome in practice, subject to abrupt termination and, in the case of West Germany, insecure, since, in the absence of diplomatic relations, the agreements were negotiated by the carriers of the contracting countries.

Austria's Commercial Interests

Despite this confusing legal situation, traffic on the Austrian Danube has increased rapidly since 1949, and, largely because of the wartime and post-war development of the oil industry in eastern Austria and the steel industry at Linz, is now roughly double the prewar level. About 56 percent of the total tonnage is carried by two Austrian shipping companies, the larger of which is one of the leading inland navigation enterprises in the free world. In addition to its freight operations, this company carries more than half a million passengers annually and has a small but efficient shipbuilding subsidiary. During the occupation period, this subsidiary worked exclusively for the USSR, but since that time has produced for various accounts, including several small seagoing vessels for West Germany which were floated down the Danube to the Black Sea for delivery.

Austria's similar efforts to revive its shipping on the eastern Danube have proved disappointing. Despite the doubling of traffic on this portion of the river over the prewar level, Austria's bottoms still account for only a small part

of the total. This is attributed to the low freight rates on bloc railroads, to the comparatively low levels of Austrian trade with the riparian satellites, and to their insistence on using their own ships. It is also possible that Moscow has deliberately raised obstacles to Austrian shipping in hopes of encouraging Vienna's accession to the Belgrade treaty. The Soviet Union recently agreed that Austrian vessels should carry half--or some 200,000 tons--of Soviet coal and iron ore being shipped to the Linz steel mills this year, and similar concessions could now be in prospect.

DANUBE RIVER FREIGHT TRAFFIC IN AUSTRIA

NATIONALITY OF CARRIERS	1955		1956		1957	
	METRIC TONS	PERCENTAGE OF TOTAL TONNAGE	METRIC TONS	PERCENTAGE OF TOTAL TONNAGE	METRIC TONS	PERCENTAGE OF TOTAL TONNAGE
AUSTRIAN	1,922,494	55.8	2,708,720	58.1	2,698,090	56.5
WEST GERMAN	720,328	20.9	742,890	16.0	847,135	17.7
YUGOSLAV	521,278	15.1	477,129	10.2	440,960	9.2
HUNGARIAN	250,221	7.2	354,817	7.6	351,139	7.4
CZECHOSLOVAK	—	—	313,464	6.7	323,167	6.8
BULGARIAN	6,005	0.2	30,750	0.7	15,165	0.3
RUMANIAN	21,054	0.6	25,845	0.6	82,908	1.7
SOVIET	5,187	0.2	4,706	0.1	21,010	0.4
TOTAL	3,446,567	100%	4,658,321	100%	4,779,574	100%

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"Austria's Suez"

These developments, actual and potential, are important to Austria, but there has been some tendency to defend the decision to enter the Danube Convention on political grounds. Top Foreign Ministry officials have stressed that the Danube is "vital" to Austria, and one of them has recently said that the "Danube is to Austria what the Suez Canal is to the British and the French." They have also urged that the West accept the convention as a fact and stressed the advantages of not

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having the commission completely under Communist control.

These statements are partly defensive in tone, but they are also in keeping with the concept held by some Austrians of Vienna's historic role as a central European city. This has been manifested in many ways since the signature of the state treaty: in the tendency to interpret Austria's neutrality as permitting a mediating role between East and West; in the increasing interest in East-West trade; and in the efforts to establish Vienna as a "European capital." Thus, in a situation of international detente, Austria, while ideologically part of the West, would become the convention hall, the commercial entrepot, and the cultural center of Europe, and the Danube would be both a symbol and an instrument of Austria's role.

West Germany's Position

Unrealistic as this may be in terms of present political and economic realities, there has been a tendency in other Western European countries also to think of the Danube as a major link between East and West. Bonn had followed--and perhaps also encouraged--Vienna in the development of bilateral arrangements with the Eastern riparian states, and, in response to a suggestion from Vienna, is now considering adherence to the Belgrade Convention. In conversations with American Embassy officials in Bonn, German spokesmen have noted that Austrian participation in the Danube Commission might hurt German shipping--already at a competitive disadvantage--and expressed the hope that Germany's existing "technical contacts" would not be jeopardized by political considerations. They have also noted that, since East Germany is not a member of the convention, the "political problem of relations

with member states would not be too serious."

In making up their minds, Bonn officials will probably consider the long-term significance of the Rhine-Main-Danube canal which will connect the Rhine-Ruhr industrial complex and the entire West German waterway system with the Danube. This canal is a combined hydroelectric, water conservation, and inland-waterway project started in 1921 and, despite considerable postwar progress, is still only scheduled for completion within the next 15 years. The resulting international inland shipping route--linking the North Sea ports, central Europe, and the Black Sea would, in the opinion of American observers in West Germany, potentially rival in importance the Rhine system now in service.

France and the Danube

Among the nonriparian Western powers, France has demonstrated the most consistent and, at times, inordinate interest in Danube affairs. This interest is partly commercial in origin, since the French have a small Danube fleet, now chartered to Austria and Rumania, which they hope to expand. France also has a historical interest in the Danube, having contributed to the establishment of the principles of freedom of navigation enforced by the interwar commissions, and Paris has strongly resented the exclusion of nonriparian powers from current Danube administration.

France's exceptionally vigorous opposition to Austrian and German participation in the Eastern Danube Commission in any form has reflected, however, not only France's desire for its own admission, but also its long-term hopes of regaining political and economic influence in the area. In 1955, Paris

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attempted to persuade London and Washington to call an international conference to rewrite the Danube Convention--an idea which foundered on British and US doubts and strong German and Yugoslav objections. Again in 1956, the French produced a plan for international financing of the Rhine-Main-Danube canal--to which France would have access--and the placing of the entire new waterway under a single regulatory commission--a plan which France thought would offset the "fluvial orientation toward the bloc of Austria and Germany." Both Britain and the United States surmised, however, that the bloc would not be interested, or interested only with important concessions, and this plan was also abandoned.

Status Quo on the Danube?

The "furious" reaction in Paris to Vienna's intended adherence to the Belgrade protocol is understandable in view of

French aspirations. While Austrian cabinet and parliamentary consideration is still pending, it is doubtful that Vienna can be dissuaded from its intention or that it will be particularly receptive to Western efforts to persuade it to attach conditions to its accession. Bonn may be more responsive to pressures from Paris, but it too seems to feel that its interests lie in eventual membership in an organization which makes decisions affecting the economic future of Germany. London is now considering whether the present circumstances offer an opportunity for a renewed effort to settle the problem of the future Danube regime and has suggested that Moscow might be persuaded to establish some ties between the Eastern Danube Commission and the UN Economic Commission for Europe. This, however, would involve recognition of the Belgrade Convention.

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JAPANESE DEFENSE SITUATION

Rearmament in Japan, which began in 1950 as a result of the threat posed by the Korean War, has made slow progress and has consistently fallen short of planned goals. The program is hampered by a constitutional provision against the maintenance of armed forces; by widespread pacifism which, although diminishing gradually, remains strong; and by diversion of public expenditures to social welfare and other politically inspired programs. The defense establishment remains weak and is relying heavily on continued military assistance from the United States.

The defense expenditures planned for fiscal 1958 total \$333,000,000, about 11.2 percent of the national budget. In

addition, Japan is making available \$73,000,000 in yen currency and facilities assistance for American forces in the coun-

	DEFENSE APPROPRIATIONS* (HUNDRED DOLLARS)	PERCENTAGE OF TOTAL BUDGET	PERCENTAGE OF GNP
1954	369	13.3	1.7
1955	369	13.2	1.6
1956	391	13.0	1.5
1957	392	12.4	1.4
1958	406	11.2	1.05 (TEXT)

* INCLUDING CONTRIBUTIONS FOR SUPPORT OF US FORCES

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try. Although defense expenditures have been increasing gradually, rearmament has received a steadily smaller percentage of the national budget since 1954.

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Defense Establishment

The defense establishment consists of three services--the ground, air, and maritime self-defense forces--with a total uniformed strength of approximately 200,000. Despite the constitutional ban on rearmament, Japanese authorities be-

perience among many senior officers, limited availability of maneuver areas, and, as with all the services, an austere budget are severe handicaps.

The primary duty of the Maritime Self-Defense Force (MSDF) is to defend Japanese coastal waters and ports rather

than to conduct open sea operations. This force is emphasizing mine-sweeping and antisubmarine (ASW) capabilities, with the latter combining air and surface units. The MSDF is moving gradually toward its fiscal 1960 goal--it has completed four new destroyers since March 1957 and has three destroyers and one submarine under construction--but is not considered capable of performing its mission satisfactorily.

JAPANESE ARMED STRENGTH		
SECRET	PRESENT	PROGRAMED FOR COMPLETION IN 1960
	(1 July 1958)	
GROUND SELF-DEFENSE FORCE	159,000 men 6 infantry divisions (2 corps) 4 combined brigades (all units under strength) Reserve - 7,500 men	180,000 men 6 divisions (2 corps) 4 combined brigades Reserve - 15,000 men
	(1 July 1958)	
AIR SELF-DEFENSE FORCE	20,463 men 3 jet fighter squadrons 2 transport squadrons 839 aircraft (including 492 jets) (No combat readiness)	27 jet fighter squadrons 3 reconnaissance squadrons 3 transport squadrons 1,300 aircraft (mostly jet fighters; no bombers)
	(1 June 1958)	
NAUTIME SELF-DEFENSE FORCE	23,650 men (including naval air) 8 destroyers & 6 destroyer escorts 1 submarine various patrol & minesweeping vessels 145 piston aircraft (none in operational units)	110,000 tons (vessels designed for coastal defense and antisubmarine warfare) 194 aircraft (mainly P2V & S2F for antisubmarine warfare)

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lieve they can increase these forces through interpretation rather than formal amendment of the constitution--on the grounds that Japan has an "inherent" right to defend itself.

The Ground Self-Defense Force (GSDF) is equipped with conventional infantry and artillery weapons and has about 1,200 tanks and armored vehicles. It is capable of maintaining internal security, but its combat capability is limited to battalion level and is not sufficient to expel a major invasion. The GSDF forces are concentrated in the northern and southern extremes of the country, considered the most vulnerable areas, and are separated by difficult terrain and long lines of communication. Junior-grade officers and enlisted personnel are considered competent and moral is good. Lack of ex-

The Air Self-Defense Force, which currently consists of three F-86F jet fighter squadrons and two C-46D transport squadrons, has very limited combat capability. Jet aircraft include 274 F-86F's and 217 T-33A's, most of which are used for training purposes or stand idle for lack of pilots. In the three fighter squadrons there are a total of 112 aircraft, but only about 50 pilots, half of whom are assigned to instructing the large student backlog. Lack of skilled maintenance personnel and the scarcity of spare parts, particularly for transport aircraft, are additional handicaps. The planned build-up incorporates additional F-86F's, the early introduction of F-86D all-weather jet fighters, and, in 1960, the addition of a more up-to-date fighter, either the tentatively approved F-11F/1F or possibly the F-104.

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The Japanese rearmament program lacks a driving force. Prime Minister Kishi does not give consistent attention to this field, preferring apparently to rely on periodic "shock treatments" to soften public opposition. During the past year he has stated that Japanese possession of nuclear arms would not violate the constitution and that an attack on American bases in Japan would require defensive action by Japanese forces. Both statements aroused considerable controversy, forcing Kishi to equivocate to some extent, but the initial impact probably had a certain conditioning effect on the populace. An announcement in late 1957 that Japan would procure US and Swiss nonnuclear guided missiles and Switzerland's recent announcement that it would arm with nuclear weapons have had a similar effect.

Security Relations with US

The US-Japanese security treaty has been a constant target of heavy Japanese criticism, official and unofficial, since it was signed in 1951. Periodic "understandings" since then have failed to disabuse Japan's basic contention that the security

treaty was imposed as the price for a peace treaty and gives to the United States rights which violate Japanese sovereignty. The treaty and the presence of American forces in Japan have been a rallying point for successful leftist movements in Japan and have been a distinct political liability to the government.

Kishi has demonstrated strong determination to make significant adjustments in security relations with the United States. There are indications that the Japanese shortly may seek changes which would give Tokyo some authority over the disposition and use of American forces in Japan; provide for consultation before these forces are used in areas outside Japan, such as Korea or the Taiwan Strait; and call for an understanding on bringing nuclear weapons to Japan.

The Japanese especially fear that the use of Japan-based US forces in other areas might involve their country in hostilities involuntarily. They do not, however, want a mutual defense treaty because of "far-reaching domestic political implications" and are opposed to participation in regional defense pacts. The availability of Japanese bases to the United States, as in the Korean War, is highly questionable in the event of an incident outside Japan which does not directly threaten Japan's security.

Outlook

The withdrawal of most of the American ground forces during the past year has not stimulated increased Japanese rearmament efforts. Missile developments, however, have prompted Japanese military planners to begin thinking in new concepts. The Japanese hope to acquire manufacturing rights for the Swiss ground-to-air Oerlikon missile and also plan to purchase a limited number

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of the American air-to-air Sidewinders.

The Defense Agency is considering a program whereby the Joint Staff Council--which is roughly equivalent to the US Joint Chiefs of Staff--would have responsibility for the highly integrated direction and use of the three services. Similar attention is being given to concentrating missile research of the three services in a single agency.

The missile age has created a dilemma for Japanese military planners. Conventional forces are increasingly regarded as obsolescent, making fulfillment of the present three-year defense plan doubtful, particularly in the Ground Self-Defense Force. On the other hand, strong public opposition makes it politically impossible for the government even to contemplate nuclear armament for the foreseeable future.

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REFORM OF SOVIET SCHOOL SYSTEM PLANNED

Decisions will apparently be made soon to implement Khrushchev's call last April for a reorganization of the Soviet educational system. A. Tikhonov, an official of the Yaroslavl Pedagogical Institute, proposed in a recent Izvestia article there should be five types of secondary schools and that the elementary school course should be lengthened from seven to eight years. A plan similar to Tikhonov's has been drafted by the Academy of Pedagogical Sciences of the Russian Republic (RSFSR). Although discussions of educational reforms will probably continue and some further minor changes may be made, the reorganization plan will probably closely resemble that outlined by the academy.

New School System

According to the RSFSR academy's draft plan, elementary school would provide a foundation in Russian language and literature, mathematics, history, geography, the natural sciences, physics, chemistry, manual training in workshops and gardens, and, beginning in

the third grade, a foreign language. This curriculum, Tikhonov states, is designed to prepare pupils "both to continue their education and to begin independent work"--i.e., factory or agricultural labor.

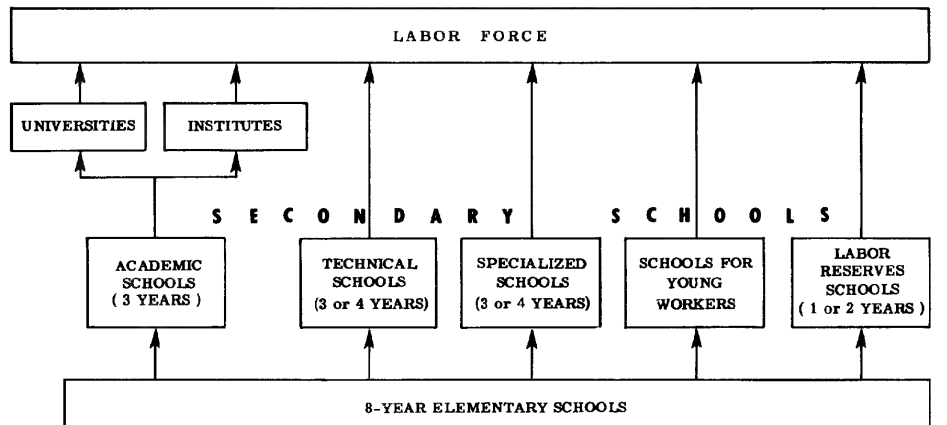
Of the five types of secondary schools to which children would be assigned following the eight-year elementary school, the first would offer a three-year course of academic work in one of four departments: the humanities, agriculture, industry, and economic planning and trade. These schools' "most eligible graduates" would be selected for universities and higher technical institutes on a competitive basis. Although the main purpose of these schools would be preparation for higher education, they would most likely continue the policy of giving polytechnical courses in order to acquaint their students with production practice and the practical application of the scientific principles taught in class.

The next type of secondary institution would encompass the various technical schools with

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PROPOSED SOVIET SCHOOL SYSTEM

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their three- or four-year courses training technicians for industry, transport, communications, and construction.

The existing specialized schools which provide three- and four-year courses preparing for theatrical, musical, military, and other careers would fall into the third category.

The fourth type of secondary school would be for youths in farm and factory work, who could continue their education while holding down jobs.

Finally, there would be the existing labor reserves schools which offer a one-year factory vocational course and a two-year technical course. Classes in these schools would be given primarily in the evenings since pupils as a rule would work in the daytime.

Trade Schools for the Many

The Soviet regime has apparently decided that it would be economically wasteful to give every student 12 years of academic education. Nevertheless, it is taking pains to meet the much-touted goal of a secondary education for every child. It appears that the so-

lution will be to achieve universal secondary education in name only, that is, by classifying part-time and evening vocational classes for young working people as "secondary schooling." It is extremely doubtful, however, that the quality of this work would equal that of the courses offered in the fulltime academic secondary schools. There is no question that practical production work in factories, at construction sites, and on farms will be continued in conjunction with many of the courses offered by the proposed academic secondary schools.

Tikhonov opposes the stand of some Soviet educators that children start school at age 6 rather than 7, as is presently done, and favors an entrance age of 8. This would eliminate the difference between their age on finishing school and the legal minimum work age of 16 years, and suggests that most Soviet youths would, in effect, enter the labor forces from primary school under the draft reforms.

Higher Education for a Few

For those few who are selected for higher education, the new system would mean a somewhat

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later start in their careers, since, if they began school at 8, they would not enter higher institutions until 19 or 20 and would not be placed in their first jobs until age 24 or later. If the policy of favoring applicants who have worked two years prior to higher education is continued, the university entrants would be even older. The regime probably considers, however, that this disadvantage is offset by the fact that the students will receive broader polytechnical training in primary and secondary school.

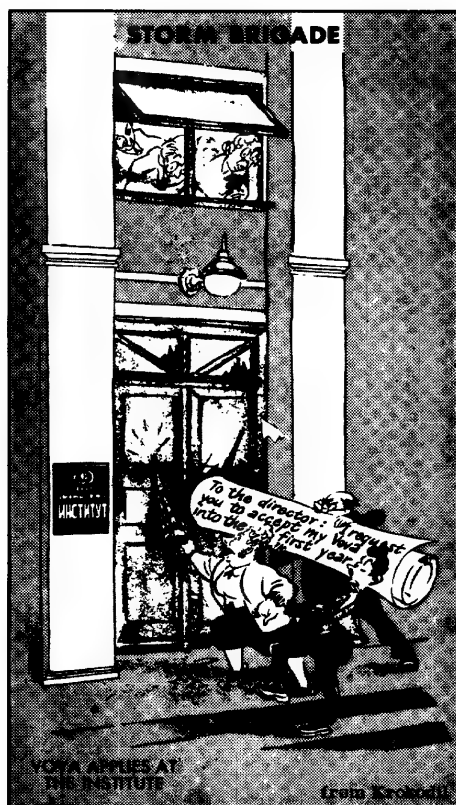
An attempt will be made to present the nonacademic schools as being of value and prestige equal to those of the secondary schools which prepare for the universities. Through a selection of only the best students at the eighth-grade level, enrollment in the academic secondary schools will probably be reduced to approximate the number of places available in higher institutions. In this way, virtually all students who do well in these schools could be accepted by universities and institutes, as was the case until a few years ago.

From the viewpoint of the state, this arrangement would make the best use of human resources; but it also means that the child must either show intellectual promise by the age of 15 or 16 or be consigned to one of several rather undesirable social categories from which he could extricate himself later in life only with considerable effort. Although a youth's assignment to academic or vocational secondary school would depend for the most part on his demonstrated capabilities, it is likely that parental influence will continue to play a role in some instances.

With an increased total school enrollment, graduation from secondary school with good

grades no longer ensures admission to a university or institute, and the regime is favoring those applicants who have already worked two years. Competition for admission to higher educational institutions has intensified as more applicants each year are rejected.

Several instances of influence-peddling on behalf of incompetent but well-heeled So-



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viet students have come to light recently. The practice is not general, but it demonstrates that tension is growing among the increasing numbers of Soviet young people who are disappointed in their hopes for higher education.

A recent Izvestia article exposed the operations of a

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senior teacher and a laboratory worker at Dnepropetrovsk University who, for a fee, "arranged" that students who had been rejected for poor grades be admitted. Apparently such cases were so common that when an applicant was rejected, his application was nevertheless kept on file "in case." Sovetskaya Kirgizia recently described the efforts of a number of applicants for Kirgiz State University to "prove" two years' work experience by submitting forged work documents and by altering the dates on their secondary school graduation certificates.

Prospects

The proposed reforms will probably have the effect of

systematizing the present situation, which is confused by the existence of a plethora of different types of schools sponsored by many governmental and industrial organizations. Most of the existing schools can presumably be placed in one of the five new classifications with relatively minor changes in their programs. Although the reorganization is being officially described as a step toward extension of universal education from 7 to 12 years, it would apparently continue the trend, which has persisted since the early 1930's, toward increasingly specialized training for specific vocations according to the capabilities of the students. 25X1
(Concurred in by OSI)

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ANNEX

SINO-SOVIET BLOC ACTIVITY IN LIBYA

1. General Bloc Policy: Sino-Soviet bloc policy toward Libya is aimed at eliminating Western influence and interests in the country and particularly at denying the use of Libyan military bases to the United States and Britain. While the USSR's direct efforts to promote these objectives and to increase Soviet influence have been of relatively minor importance, Egypt's campaign of propaganda and subversion in Libya--greatly intensified since early 1958--has the same short-term goals and enjoys Soviet support and cooperation.

2. Diplomatic Activity: The Soviet Embassy at Tripoli and diplomatic residence at Bengasi are manned by about 30 Soviet nationals, a large staff in view of the absence of substantial ties between Libya and the USSR. A number of the Soviet officials speak Arabic and are very active in cultivating prominent Libyans. No other bloc country has diplomatic relations with Libya.

3. Economic Activity: Libya's economic relations with bloc countries have been insignificant to date. Shortly after the establishment of diplomatic relations, Moscow initiated talks on "economic collaboration," but little progress was achieved. Starting in early 1958, however, the USSR resumed attempts to stimulate trade, offering petroleum products, building materials, and textiles in exchange for wool and hides. Moscow's efforts have met with

limited success; Libya for the first time recently licensed imports from the USSR--cotton cloth and printing equipment.

4. Early this year it was rumored that the Soviet Union had "offered" Libya a long-term, low-interest developmental loan amounting to as much as \$28,000,000. The Libyan Government has officially denied that such an offer was actually made. The publicity given by Soviet personnel to the "offer" indicates that its purpose was to harass the financial negotiations being conducted by Libya with the United States and Britain and, along with Soviet propaganda against Libyan restrictions on trade with the bloc, to embarrass pro-Western elements. Moscow's offer to construct, equip, and staff two hospitals--first advanced in 1957 and renewed in April--has been reluctantly accepted, although an official announcement has not yet been made. During the last six months the USSR also donated an ambulance and medical supplies to the newly established Libyan Red Crescent Society.

5. Cultural and Propaganda Activity: The principal Soviet activity in the propaganda field consists of distributing printed material through local bookstores. It is estimated that during 1957 the Soviet Union spent about \$40,000 on overt propaganda activities, including the salary of a TASS correspondent. During the past six months one Soviet theatrical delegation--a variety group--visited Libya and the Soviet Embassy had several film showings. During 1957 two Libyan cultural delegations--a six-man group to the Moscow Youth Festival and an artist delegation--visited the Soviet Union, but there has been no organized Libyan delegation travel to the bloc thus

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far in 1958. Bloc radio broadcasts in Arabic currently total 82 hours each week. Soviet cultural and propaganda activity is greatly overshadowed by Egyptian efforts; the Libyan Government's pro-Western alignment has been under heavy attack during recent months by Egyptian sympathizers, Radio Cairo, and nearly 400 Egyptian teachers, who exercise considerable influence on student opinion.

States. During the past six months he has dismissed two cabinet ministers who were suspected of being friendly toward the Soviet Union and who had reportedly favored acceptance of the Soviet aid offer. In a move aimed primarily at Soviet and Egyptian military attachés

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the King ordered all military attachés from the country. In mid-July, in order to guard against repercussions from critical developments in other Arab countries, Idriss moved to counter Egyptian influence in the government by dismissing several officials with pro-Nasir leanings, placed internal security forces on the alert, and accepted British troops into his personal bodyguard.

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8. Outlook:

Soviet support of Egypt has had a substantial impact in Libya, and Soviet influence among radical Arab nationalist elements has increased. Idriss, now 68 years of age, is the primary obstacle to Soviet and Egyptian plans; should he die or become incapacitated, a subsequent struggle for power --the line of succession is unclear--could lead to an increase in Egyptian and Soviet influence. If the Libyan Government were to conclude that Western aid is wholly inadequate, it would probably turn to Egypt and/or the USSR for assistance, despite Libyan misgivings as to the reliability of such support and the intentions of these countries.

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7. Libyan Reaction to Bloc Activities: King Idriss, who is the center of power in Libya, is strongly suspicious of the USSR and Egypt and is anxious to maintain close ties with the United

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